

**OFFICE OF THE TREASURER**

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# The Treasury Note

A monthly newsletter of California municipal finance.  
November 1, 2003

## UCLA Anderson Forecast

The UCLA Anderson Forecast issued its quarterly economic report for California and the nation on September 24, 2003. The forecast noted that California has suffered a weaker pattern of growth and continued job losses since the June 2003 report. The State's economy is predicted to be weaker than previously anticipated for the remainder of 2003, leading to a slower start for 2004, but should improve through 2004 and into 2005. Nationally, the forecast reiterated its call for a 2.5 percent growth rate in Gross Domestic Product (GDP) through 2003, below a normal 3.0 to 3.5 percent growth rate but substantially above recession levels.

Edward Leamer, Director of the Anderson Forecast, warned not to expect recovery growth rates in GDP of 4.5 to 5.5 percent due to the unusual nature of the current business cycle. The Director repeated earlier forecast views that due to the unique business-driven national recession of 2001, a recovery on the consumer side is impossible as consumer spending never weakened. "There is nothing from which to recover. There is no pent-up demand on the consumer side and there is no pent-up demand on the business side. The best that can happen is a return to normal growth in the 3.0 to 3.5 percent range."

Tom Lieser, Senior Economist with the UCLA Anderson Forecast, addressed California's business climate and described a state slowly grinding its way out of the economic doldrums. California's unemployment rate stood at 6.6

percent in August and is expected to finish the year at 6.7 percent before improving slightly to 6.4 percent in 2004. Nonfarm payroll employment growth is forecast at -0.03 percent in 2003, improving to a 1 percent gain in 2004 and a 2.2 percent gain in 2005. Dr. Lieser listed the brighter areas for job gains during the next two years as transportation and warehousing, wholesale and retail trade, information services, professional and business services (beginning in 2004), education and health services (which never experienced a slowdown), and leisure and hospitality services. The weaker sectors include manufacturing, state and local government, and financial services. Dr. Lieser cautioned that due to the slow economic expansion at the national level and other reasons, California job gains will be limited.

Weakness notwithstanding, Dr. Lieser highlighted areas in California with slow but improving trends. Personal income is predicted to increase 3.2 percent in 2003, improving to a 3.9 percent gain in 2004 and 5.1 percent in 2005. Taxable sales are forecast to rise 1.7 percent this year, followed by gains of 4.1 percent in 2004 and 5.0 percent in 2005. State exports, while still 2.8 percent below the year-ago total, increased at a seasonally adjusted annual rate of 13.6 percent (compared with the first quarter), which was the third consecutive quarter-to-quarter increase. Additionally, the information technology sector is looking brighter as July semiconductor sales were the best in two years according to the Semiconductor Industry Association, with strength

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## UCLA Forecast continued

mainly in Asia Pacific and Japan. The Conference Board's estimate of consumer confidence in the Pacific region, dominated by California, improved through August 2003, reaching its highest reading of the year, at an index value of 86 in August from a cyclical low of 61 in March. Lastly, the real estate sector remains robust as the demand for both new and existing homes, and for both rental and owner-occupied housing, remains strong.

## Redemptions & Defeasances

Please visit our website at [www.treasurer.ca.gov/Bonds/redemptions/redemptions.asp](http://www.treasurer.ca.gov/Bonds/redemptions/redemptions.asp) or contact *Bondholder Services* at (800) 900-3873 for up to date redemption and defeasance information.

## Tax Time

If you received a redemption payment in 2003 from the State Treasurer's Office or the Bank of New York, our fiscal agent, you will receive a 1099-B notice. Our office, or the Bank of New York, will mail this form on or before January 31, 2004.

If you have questions regarding the 1099-B notice, please contact the California State Treasurer's Office at (800) 900-3873 or the Bank of New York at (800) 438-5473.

## Bond Sales Calendar<sup>1</sup>

If you are interested in purchasing any of the bonds listed below, please contact your broker two weeks before the sale date. For up to date information, check our website ([www.treasurer.ca.gov](http://www.treasurer.ca.gov)) or contact *Investor Relations* at (800) 900-3873.

Proposed Bond Sale	Amount	Sale Date
State Public Works Board: Various Projects	\$375 million	November 13, 2003
General Obligation Bonds	\$1.5 billion	December 9, 2003
Grant Anticipation Revenue Vehicle (GARVEE) Program	\$500 million	January/February 2004
California Infrastructure and Economic Development Bank: State Revolving Fund	\$50 million	January 2004
Fiscal Recovery Bonds	\$10.7 billion	February/April 2004
Pension Obligation Bonds	\$2 billion	To be determined

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<sup>1</sup>*Subject to change; the ultimate sale date can be affected by legal, market, and other factors.*

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## Submitting Bonds for Payment

To complete a transfer or payment transaction please submit securities and documentation according to your chosen method of delivery:

### By United States Postal Service

(Registered mail with return receipt recommended)  
The Bank of New York  
Attention: Fiscal Agency Department  
P.O. Box 11265  
New York, NY 10286

### By Physical or Overnight Courier Service (e.g.: Airborne, FedEx, UPS, etc.)

The Bank of New York  
Corporate Trust Window  
101 Barclay Street, 7E  
New York, NY 10286

To contact the Bank of New York directly for customer service or account information please call (800) 548-5075 or (800) 438-5473. Please have your CUSIP number available when calling.

For information on walk-in bond presentation at the State Treasurer's Office in Sacramento, please contact *Bondholder Services* at (800) 900-3873.